

**United States Department of Agriculture**  
**Rural Development**  
**Informational Publication 100-1**  
***Rural Electrification Act of 1936***

*With Amendments as Approved through January 23, 2006*

**TITLE II—RURAL TELEPHONE SERVICE**

**SEC. 201. LOANS FOR RURAL TELEPHONE SERVICE.**

From such sums as are from time to time made available by the Congress to the Secretary for such purpose, pursuant to section 3 of this Act, the Secretary is authorized and empowered to make loans to persons now providing or who may hereafter provide telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations. Except as otherwise provided by this title, such loans shall be made under the same terms and conditions as are provided in section 4 of this Act, for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities or systems to furnish and improve telephone service in rural areas: Provided, however, That the Secretary, in making such loans, shall give preference to persons providing telephone service in rural areas, to public bodies now providing telephone service in rural areas and to cooperative, nonprofit, limited dividend, or mutual associations: And, provided further, that for a period of one year from and after the effective date of this title applications for loans received by the Secretary from persons who on the effective date of this title are engaged in the operation of existing telephone service in rural areas shall be considered and acted upon before action is taken upon any application received from any other person for any loan to finance the furnishing or improvement of telephone service to substantially the same subscribers. The Secretary in making such loans shall, insofar as possible, obtain assurance that the telephone service to be furnished or improved thereby will be made available to the widest practical number of rural users. When it is determined by the Secretary to be necessary in order to furnish or improve telephone service in rural areas, such loans may be made for the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems without regard to their geographical location. The Secretary is further authorized and empowered to make loans for the purpose of refinancing outstanding indebtedness of persons furnishing telephone service in rural areas: Provided, That such refinancing shall be determined by the Secretary to be necessary in order to furnish and improve telephone service in rural areas: And provided further, That such refinancing shall constitute not more than 40 per centum of any loan made under this title. Loans under this section shall not be made unless the Secretary finds and certifies that in his judgement the security therefore is reasonably adequate and such loan will be repaid within the time agreed, nor shall such loan be made in any State which now has or may hereafter have a State regulatory body having authority to regulate telephone service and to require certificates of convenience and necessity to the applicant unless such certificate from such agency is first obtained. In a State in which there is no such agency or regulatory body legally authorized to issue such certificates to the applicant, no loan shall be made under this section unless the Secretary shall determine (and set forth his reasons therefore in writing) that no duplication of lines, facilities, or systems, providing reasonably adequate services will result therefrom.

[Oct. 28, 1949, ch. 776, §5, 63 Stat. 948; May 7, 1971, Public Law 92-12, §3(b), 85 Stat. 37; Oct. 13, 1994, Public Law 103-354, Title II, Subtitle C, §235(a)(13), 108 Stat. 3221; 7 U.S.C. 922.]

**TITLE VI — RURAL BROADBAND ACCESS**

**SEC. 601. ACCESS TO BROADBAND TELECOMMUNICATIONS SERVICES IN RURAL AREAS.**

(a) PURPOSE.—The purpose of this section is to provide loans and loan guarantees to provide funds for the costs of the construction, improvement, and acquisition of facilities and equipment for broadband service in eligible rural communities.

(b) DEFINITIONS.—In this section:

(1) BROADBAND SERVICE.—The term "broadband service" means any technology identified by the Secretary as having the capacity to transmit data to enable a subscriber to the service to originate and receive high-quality voice, data, graphics, and video.

(2) ELIGIBLE RURAL COMMUNITY.—The term "eligible rural community" means any area of the United States that is not contained in an incorporated city or town with a population in excess of 20,000 inhabitants.

(c) LOANS AND LOAN GUARANTEES.

(1) IN GENERAL.—The Secretary shall make or guarantee loans to eligible entities described in subsection (d) to provide funds for the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

(2) PRIORITY.—In making or guaranteeing loans under paragraph (1), the Secretary shall give priority to eligible rural communities in which broadband service is not available to residential customers.

(d) ELIGIBLE ENTITIES.

(1) IN GENERAL.—To be eligible to obtain a loan or loan guarantee under this section, an entity shall—

(A) have the ability to furnish, improve, or extend a broadband service to an eligible rural community; and

(B) submit to the Secretary a proposal for a project that meets the requirements of this section.

(2) STATE AND LOCAL GOVERNMENTS.—A State or local government (including any agency, subdivision, or instrumentality thereof (including consortia thereof)) shall be eligible for a loan or loan guarantee under this section to provide broadband services to an eligible rural community only if, not later than 90 days after the Administrator has promulgated regulations to carry out this section, no other eligible entity is already offering, or has committed to offer, broadband services to the eligible rural community.

(3) SUBSCRIBER LINES.—An entity shall not be eligible to obtain a loan or loan guarantee under this section if the entity serves more than 2 percent of the telephone subscriber lines installed in the aggregate in the United States.

(e) BROADBAND SERVICE.—The Secretary shall, from time to time as advances in technology warrant, review and recommend modifications of rate-of-data transmission criteria for purposes of the identification of broadband service technologies under subsection (b)(1).

(f) TECHNOLOGICAL NEUTRALITY.—For purposes of determining whether or not to make a loan or loan guarantee for a project under this section, the Secretary shall use criteria that are technologically neutral.

(g) TERMS AND CONDITIONS FOR LOANS AND LOAN GUARANTEES.—Notwithstanding any other provision of law, a loan or loan guarantee under subsection (c) shall—

(1) bear interest at an annual rate of, as determined by the Secretary—

(A) in the case of a direct loan—

(i) the cost of borrowing to the Department of the Treasury for obligations of comparable maturity; or

(ii) 4 percent; and

(B) in the case of a guaranteed loan, the current applicable market rate for a loan of comparable maturity; and

(2) have a term not to exceed the useful life of the assets constructed, improved, or acquired with the proceeds of the loan or extension of credit.

(h) USE OF LOAN PROCEEDS TO REFINANCE LOANS FOR DEPLOYMENT OF BROADBAND SERVICE.—Notwithstanding any other provision of this Act, the proceeds of any loan made or guaranteed by the Secretary under this Act may be used by the recipient of the loan for the purpose of refinancing an outstanding obligation of the recipient on another telecommunications loan made under this Act if the use of the proceeds for that purpose will further the construction, improvement, or acquisition of facilities and equipment for the provision of broadband service in eligible rural communities.

(i) REPORTS.—Not later than 1 year after the date of enactment of this section, and biennially thereafter, the Administrator shall submit to Congress a report that—

(1) describes how the Administrator determines under subsection (a)(1) that a service enables a subscriber to originate and receive high-quality voice, data, graphics, and video; and

(2) provides a detailed list of services that have been granted assistance under this section.

(j) FUNDING.

(1) IN GENERAL.—Notwithstanding any other provision of law, of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section—

(A) \$20,000,000 for each of fiscal years 2002 through 2005, to remain available until expended; and

(B) \$10,000,000 for each of fiscal years 2006 and 2007, to remain available until expended.

(2) TELEVISION FUNDS.

(A) IN GENERAL.—The Secretary shall be entitled to receive, shall accept, and shall use to carry out this section, without further appropriation any funds made available under section 1011(a)(2)(B) of the Launching Our Communities' Access to Local Television Act of 2000 (47 U.S.C. 1109(a)(2)(B)).

(B) USE OF TELEVISION FUNDS.—The Secretary shall use any funds received under subparagraph (A) in equal amounts for each remaining fiscal year on receipt of the funds (including the fiscal year of receipt) through fiscal year 2007.

(3) AUTHORIZATION OF APPROPRIATIONS.—In addition to funds otherwise made available under this subsection, there are authorized to be appropriated such sums as necessary to carry out this section for each of fiscal years 2004 through 2007.

(4) ALLOCATION OF FUNDS.

(A) IN GENERAL.—From amounts made available for each fiscal year under this subsection, the Secretary shall—

(i) establish a national reserve for loans and loan guarantees to eligible entities in States under this section; and

(ii) allocate amounts in the reserve to each State for each fiscal year for loans and loan guarantees to eligible entities in the State.

(B) AMOUNT.—The amount of an allocation made to a State for a fiscal year under subparagraph (A) shall bear the same ratio to the amount of allocations made for all States for the fiscal year as the number of communities with a population of 2,500 inhabitants or less in the State bears to the number of communities with a population of 2,500 inhabitants or less in all States, as determined on the basis of the latest available census.

(C) UNOBLIGATED AMOUNTS.—Any amounts in the reserve established for a State for a fiscal year under subparagraph (B) that are not obligated by April 1 of the fiscal year shall be available to the Secretary to make loans and loan guarantees under this section to eligible entities in any State, as determined by the Secretary.

(k) TERMINATION OF AUTHORITY.—No loan or loan guarantee may be made under this section after September 30, 2007.

[May 13, 2002, Public Law 107-171, Title VI, §6103(a), 116 Stat. 415; January 23, 2004, Public Law 108-199; Title VII, §772, 117 Stat. 3000; 7 U.S.C. 950bb.]